

The following discussion is a summary of certain anticipated tax consequences of our operations and of an investment in the shares under Cayman Islands tax laws, Hong Kong tax laws and PRC income tax laws. The discussion does not deal with all possible tax consequences relating to the Company's operations or to an investment in the Shares. In particular, the discussion does not address the tax consequences under state, local and other (e.g., non-Hong Kong, non-Cayman Islands, non-Chinese) tax laws. Accordingly, each prospective investor should consult his or her tax adviser regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change.

CAYMAN ISLANDS TAXATION

Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and;
- that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 1 July 2008.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

PRC TAXATION

Enterprise Income Tax

Under the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises adopted by the National People's Congress on 9 April 1991 and the implementation rules applicable to those foreign-invested enterprises, the Enterprise Income Tax was levied on foreign invested enterprises, or FIEs, at the ordinary Enterprise Income Tax rate of 33%, including 30% national enterprise income tax and 3% local income tax. According to the Interim Rules of the Enterprise Income Tax of the PRC, domestic enterprises other than FIEs were subject to Enterprise Income Tax at an ordinary rate of 33%. Both rates applicable to enterprises with or without foreign investment were subject to available preferential tax treatments respectively.

Under the new PRC Enterprise Income Tax Law, effective as of 1 January 2008, the income tax rate for both domestic enterprises and FIEs has been modified to 25%. The New EIT Law significantly curtails tax incentives granted to FIEs under the previous tax law, however, it (i) reduces the ordinary rate of enterprise income tax from 33% to 25%, (ii) permits enterprises to continue to enjoy their existing tax incentives, subject to certain transitional phase-out rules, and (iii) introduces new tax incentives, subject to various qualification criteria. Under the phase-out rules, enterprises which enjoyed reduced income tax rates pursuant to certain prior tax rules would be subject to gradually increasing tax rates from 2008 to 2012, with the applicable rate for 2012 reaching 25%, and enterprises which had been granted fixed-term tax holidays may continue to enjoy such tax holidays until their expiration, upon which time the 25% tax rate will apply.

In addition, according to the new Enterprise Income Tax Law and its implementation rules, an enterprise incorporated under the laws of foreign jurisdictions but whose “de facto management body” is located in China is treated as “a resident enterprise” for PRC tax purposes, and will be subject to PRC enterprise income tax rate of 25% on its global income. Under the implementation rules of the new Enterprise Income Tax Law, “de facto management body” is defined as a body that exercises overall management and control over the business, personnel, accounting and assets of an enterprise. Due to the newness of this law, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax authorities.

Business Tax

Under the Provisional Regulations of the PRC on Business Tax issued by the State Council which took effect on 1 January 1994 and the implementation rules, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of services provided.

Value-Added Tax

In accordance with the Provisional Regulations of the People’s Republic of China on Value-added Tax issued by the State Council which took effect on 1 January 1994 and the implementation rules, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are taxpayers of Value-added tax, and shall pay Value-added tax in accordance with these Regulations at tax rates of 4%, 6%, 13% or 17%.

Dividends from our China operations

In compliance with the new Enterprise Income Tax Law, which came into effect on 1 January 2008, dividends paid by FIEs to non-PRC resident shareholders are subject to withholding tax at an ordinary rate of 20%, unless otherwise exempted or reduced by PRC laws and regulations or in accordance with arrangements or treaties between Chinese government and government of other jurisdictions where such non-PRC resident shareholder is registered. The implementation rules of the new Enterprise Income Tax Law currently reduce the withholding tax rate to 10%.

Dividends paid by the Company to its overseas investors

The Company is not incorporated in the PRC. Under current PRC law, even though the Company has significant operating subsidiaries in the PRC, the distribution of dividends to its overseas investors such as yourself is not currently subject to PRC tax. However, if you are a PRC mainland resident, you shall be subject to the PRC income tax as you are liable for PRC tax for your global income under the current PRC law. Further, if our company is deemed as a PRC resident enterprise under the newly issued PRC Enterprise Income Tax Law, which came into effect on 1 January 2008, the dividends we pay to our investors, including non PRC-resident investors, may also be subject to PRC income tax, subject to the implementation of the new PRC Enterprise Income Tax Law.

Transfer or disposition of our Shares

As we are not incorporated in the PRC, under current PRC law, any transfer or disposition of the Shares by an overseas investor such as yourself does not trigger PRC tax liabilities. However, if you are a PRC mainland resident, you shall be subject to the PRC income tax as you are liable for PRC tax for your global income under the current PRC law.

Stamp tax

Under the *PRC Interim Regulations on Stamp Duty* promulgated which came into effect on 1 October 1988, and its Implementation rules, all institutions and individuals who create and obtain taxable documents within the PRC shall pay stamp tax. The list of taxable document includes purchase and sale contracts, processing contracts, constructions project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble a contract in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance. For property transfer instruments, including those in respect of property ownership transfer, the tax rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificate and land use right certificate, the stamp tax is levied on an item-by-item basis of RMB 5 Yuan.

Estate duty or inheritance tax

There is no estate duty or inheritance tax levied in the PRC at present.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The foreign exchange control system of the PRC has experienced a number of reforms and the current system contains three major regulatory laws and regulations since 1993.

The PBOC, as authorized by the State Council, promulgated the *Announcement Concerning Further Reforming the Foreign Exchange Control System* on 28 December 1993, which came into force on 1 January 1994. *The Regulations of the People's Republic of China on the Management of Foreign Exchanges* promulgated by the State Council, implemented on 1 April 1996 and amended on 14 January 1997, applies to the receipt, payments or business activities in China that are transacted in foreign currencies by domestic institutions, individuals, foreign institutions and individual visiting China, *The Regulation on Control of Foreign Exchange Settlements, Sales and Payments* issued by PBOC on 20

June 1996 and implemented on 1 July 1996 governs the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign organizations' institutions in China and individuals visiting China.

PBOC publicizes the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined by reference to the preceding day's trading prices of RMB against major foreign currencies on the inter-bank foreign exchange market. In general and unless special immunity is obtained, all organizations and individuals in China shall sell their exchange income to designated banks, but foreign-funded enterprises are permitted to retain a certain percentage of their exchange income, to be deposited in a foreign exchange bank account opened in designated banks. In addition, exchange income arising from loans from foreign institutions or from issuance of shares or bonds valued in foreign currencies need not be sold to designated banks but shall be deposited in designated foreign exchange accounts with designated banks. Capital foreign exchange must be deposited in foreign exchange accounts opened with designated banks.

At present, the PRC government is gradually loosening its control over foreign exchange purchases. And Chinese enterprise in need of foreign currencies in their day-to-day business activities, trade and non-trade operations, import business and payment of foreign debts may purchase foreign currencies from designated banks, provided that they submit the required appropriate supporting documents.

In addition, if foreign-funded enterprises are in need of foreign currencies for distributing dividends, capitals bonuses or profits to foreign investors, the amount so needed after payment of appropriate dividends tax may be drawn from the enterprises' foreign exchange accounts maintained with designated banks. If the foreign currency in such an account is insufficient, the foreign-funded enterprise may apply to the government authority in charge for purchasing the necessary amount of foreign currency from a designated bank to cover the deficiency.

Although the foreign exchange control over the transactions under current accounts has decreased, enterprises shall obtain approval from the State Administration of Foreign Exchange before they accept foreign-currency loans, provide foreign-currency guarantees, make investments in foreign countries or carry out any other capital account transactions involving the purchase of foreign currencies.

In foreign exchange transaction, designated banks may freely determine applicable based on the rates publicized by the PBOC and subject to certain governmental restrictions.

HONG KONG TAXATION

Dividends

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 17.5% and on individuals at a maximum rate of 16.0%. The profits tax rate is proposed to be reduced from 17.5% to 16.5% and the standard rate of salaries tax from 16% to 15% in the 2008/2009 year of assessment. Gains from sales of the Shares effected on the Hong Kong Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares registered on the Hong Kong branch register. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.00. Where a sale or purchase of Shares registered on the Hong Kong branch register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.